



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 25, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Nicolet National Bank  
Charter Number: 24107**

**110 South Washington Street  
Green Bay, WI 54301**

**Comptroller of the Currency  
Iron Mountain Field Office  
P.O. Box 666  
Iron Mountain, MI 49801**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **INSTITUTION'S CRA RATING - This institution is rated Outstanding.**

- The bank's loan-to-deposit ratio is good.
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment areas.
- A substantial majority of loans are originated inside the bank's assessment areas.
- The bank has a reasonable distribution of loans to businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

Nicolet National Bank (NNB) is a \$302 million community bank that opened for business less than three years ago. The bank has \$30 million in Tier One Capital. The main office is located in Green Bay, WI in a low-income census tract (CT). The bank operates a full-service branch in Marinette, WI, in a middle-income CT and a loan production office in Menominee, MI. This loan production office is not considered a branch for CRA purposes. The Marinette branch was opened in May 2001. The bank also operates a courier service for business customers in the Green Bay area that currently serves over 125 businesses. The bank is 100% owned by Nicolet Bankshares, a \$305 million one-bank holding company located in Green Bay, WI. All financial information is as of June 30, 2003.

The bank offers traditional community bank products and services with a focus in commercial/business lending. As of June 30, 2003, the net loan portfolio represented 83% of total assets. The loan portfolio is broken down as follows: 80% commercial, 18% residential real estate, and 2% consumer loans.

There are no financial, legal or other impediments which would hinder the bank's ability to help meet the credit needs of its assessment area. This is the first CRA examination for NNB.

## **DESCRIPTION OF GREEN BAY ASSESSMENT AREA**

The Green Bay assessment area (AA) includes all CTs in the Green Bay Metropolitan Statistical Area (MSA). The MSA includes all of Brown County in northeastern Wisconsin. This AA is comprised of forty-nine CTs, of which two (4%) are low-income, ten (21%) are moderate-income, twenty-eight (57%) are middle-income, eight (16%) are upper-income, and one (2%) is designated NA-income. This NA-income CT is the Green Bay Correctional Institution located in Allouez, WI. The assessment area meets the regulatory criteria and no low- or moderate-income areas have been arbitrarily excluded. Based on 1990 census data, the total number of businesses with reported revenues in the AA was 9,980. Of these businesses, 8,131 had gross revenues of less than \$500 thousand, 682 had revenues of \$500 thousand to under \$1 million, and 1,167 had revenues of \$1 million and over. Also based on 1990 census data, the total population in this AA is 194,594, which is comprised of 50,732 families. The 1990 census median family income for the MSA is \$37,121. This figure is used to determine the income designation of each CT.

The local economy is characterized as stable to improving, despite the downturn in the national economy and softening in the paper and paper products industry. According to the Wisconsin Department of Workforce Development, the unemployment rate for the Green Bay MSA was 4.9% in July 2003. This is less than the state unemployment rate of 5.5% for the same time period. These figures are not seasonally adjusted. The local economic base is relatively diverse; however, paper and paper-related manufacturing continues to be the primary economic activity. Retail, service and tourism related businesses have seen an increase in sales; however, manufacturing businesses, including paper and paper-related manufacturers, have not seen this increase. One of the main issues impacting the local paper industry is plants moving to southern states as well as China and Mexico to take advantage of lower wages. Several paper and paper-related businesses in the Brown County area have had large layoffs as a result. Major employers in the Green Bay MSA include: Georgia Pacific, the Green Bay Public School District, Employers Health Insurance Co., Bellin Memorial and Saint Vincent Hospitals, and the Oneida Tribe of Indians of Wisconsin.

Competition among financial institutions in the area is strong. The bank's competitors include several community banks, large state banks, multi-state banks, credit unions, and mortgage brokerage firms. In total deposits, NNB, with a market share of 4.9%, ranks sixth out of 22 FDIC-insured institutions with at least one branch located in the Green Bay MSA. This is using FDIC market share data as of June 30, 2002. Based on 2001 Home Mortgage Disclosure Act (HMDA) market share data, 266 financial institutions originated at least one residential-related loan in the Green Bay MSA.

In conducting this assessment of the bank's performance, we contacted a representative from the local chamber of commerce. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning NNB's performance.

## **DESCRIPTION OF MARINETTE ASSESSMENT AREA**

The Marinette AA is not located in a MSA and includes all CTs in Marinette County, WI and Menominee County, MI. This AA is comprised of 22 CTs, of which eight (36%) are moderate-income, 13 (59%) are middle-income, and one (5%) are upper-income. The assessment area meets the regulatory criteria and no low- or moderate-income areas have been arbitrarily excluded. Based on 1990 census data, the total number of businesses with reported revenues in the AA was 3,314. Of these businesses, 2,884 had gross revenues of less than \$500 thousand, 183 had revenues of \$500 thousand to under \$1 million, and 247 had revenues of \$1 million and over. Also based on 1990 census data, the total population in this AA is 65,468, which is comprised of 18,049 families. The 1990 census median family income for nonmetropolitan areas in Michigan is \$27,893 and \$30,290 for Wisconsin.

The local economy is described as stable. The average unemployment rate in July 2003 for the Upper Peninsula of Michigan was 6.2%, and 5.5% for the state of Wisconsin. The average unemployment rates for Menominee County, MI and Marinette County, WI for the same time period were 6.7% and 7.2%, respectively. These figures are not seasonally adjusted. Manufacturing is the primary economic activity in the area. Major employers in the area

include: Marinette Marine Corp., Waupaca Foundry Inc., Karl Schmidt Unisia Inc., Bay Area Medical Center Inc., and Ansul Inc.

Competition among financial institutions is strong in the local market. Branches of two large multi state banks, branches of Michigan and Wisconsin community banks, as well as savings and loans, credit unions and mortgage companies are located in the assessment area.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is good given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since its opening is 91%, which ranks first in a peer group of eight similarly situated banks. The peer group consists of banks with assets less than \$300 million that are chartered within the Green Bay MSA, Marinette County, WI and Menominee County, MI. Nicolet NB has the largest level of average assets of these banks at \$286 million. The other banks' average assets ranged from \$49 million to \$194 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 63% to 90%, over the same time period.

Additionally, the bank originates residential real estate loans that are immediately sold on the secondary market. These loans are not used in the loan-to-deposit calculation. In 2002 and 2001, the bank originated and sold \$45 million and \$27 million, respectively.

### **Lending in Assessment Area**

The bank originates a substantial majority of its loans inside its AAs. This conclusion is based on an analysis of the original dollar amount and number of all commercial loans originated or refinanced by the bank between January 1, 2001 and December 31, 2002. A comparison of zip code and the AA boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the CT address. A report sorted by zip code was generated to complete the analysis. The following tables illustrate the level of lending inside the Green Bay and Marinette AAs:

<b>Penetration of Lending Inside the Bank's Assessment Area Green Bay Assessment Area January 2001 – December 2002 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	84%	66%

<b>Penetration of Lending Inside the Bank's Assessment Area Marinette Assessment Area January 2001 – December 2002 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	93%	91%

### **Lending to Businesses of Different Sizes**

The bank's lending practices represent a satisfactory penetration among businesses of different sizes. Business lending was the focus of our review as it represents the bank's primary loan product. In completing our review, more weight was given to NNB's performance in the Green Bay AA. This is due to a vast majority of the bank's lending being performed in this area. A sample of 30 commercial customers located in the Green Bay AA and 30 commercial customers located in the Marinette AA revealed the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses Green Bay Assessment Area January 2001 – December 2002</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	4	13%	81%
\$100 - \$500	10	33%	
\$500 - \$1,000	5	17%	7%
> \$1,000	9	30%	12%
Revenue not Reported	2	7%	
Totals:	30	100%	100%

<b>Lending Distribution Based on Revenue Size of Businesses Marinette Assessment Area January 2001 – December 2002</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	7	23%	87%
\$100 - \$500	7	23%	
\$500 - \$1,000	5	17%	6%
> \$1,000	5	17%	7%
Revenue not Reported	6	20%	
Totals:	30	100%	100%

The tables above show 70% of the businesses sampled in the Green Bay AA and 83% of the businesses sampled in the Marinette AA have revenues of \$1 million or less. Loans for businesses with unreported revenues included in the bank's lending distribution are loans where no income information was evident in the loan file. These businesses are included in the \$1 million or less revenue category because it can be reasonably inferred from the type of business that gross revenues are \$1 million or less. This performance is considered reasonable when compared to the demographic characteristics of the AAs.

### **Geographic Distribution of Loans**

Our analysis of the commercial loans sampled above indicates NNB has an excellent dispersion of loans throughout its AAs, with lending evident in a majority of the census tracts. As described earlier, more weight was given to the bank's lending performance in the Green Bay AA. The following tables illustrates the bank's performance:

<b>Geographic Distribution Based on Number and Dollar Amount of Loans Made in the Green Bay Assessment Area January 2001 – December 2002 Loan Originations</b>								
	<b>% of Number Originated in Low- income CTs</b>	<b>% of Dollar Amount Originated in Low- income CTs</b>	<b>% of Number Originated in Moderate- income CTs</b>	<b>% of Dollar Amount Originated in Moderate- income CTs</b>	<b>% of Number Originated in Middle- income CTs</b>	<b>% of Dollar Amount Originated in Middle- income CTs</b>	<b>% of Number Originated in Upper- income CTs</b>	<b>% of Dollar Amount Originated in Upper- income CTs</b>
<b>Commercial Loans</b>	10%	5%	20%	23%	50%	46%	20%	26%
<b>Percentage of Businesses in the AA (census information)</b>	6%		14%		63%		17%	

<b>Geographic Distribution Based on Number and Dollar Amount of Loans Made in the Marinette Assessment Area January 2001 – December 2002 Loan Originations</b>						
	<b>% of Number Originated in Moderate-income CTs</b>	<b>% of Dollar Amount Originated in Moderate-income CTs</b>	<b>% of Number Originated in Middle-income CTs</b>	<b>% of Dollar Amount Originated in Middle-income CTs</b>	<b>% of Number Originated in Upper-income CTs</b>	<b>% of Dollar Amount Originated in Upper-income CTs</b>
<b>Commercial Loans</b>	7%	3%	93%	97%	0%	0%
<b>Percentage of Businesses in the AA (census information)</b>	24%		73%		3%	

As illustrated in the table for the Green Bay AA, the bank’s lending performance in both number and dollar amount of loans in the low- and moderate-income CTs exceeds the demographic characteristics of the area. The bank’s lending performance in the moderate-income CTs in the Marinette AA is below the demographic characteristics of the area; however, this situation is reasonably explained by the location of the branch compared to the location of these CTs. Of the eight moderate-income CTs in the Marinette AA, the review indicated lending was not evident in seven. These CTs are located in the northern portion of Marinette County and are not in close proximity to the branch. Other financial institutions are located within and nearby these moderate-income tracts to serve the community's needs.

**Responses to Complaints**

No complaints have been received by the bank or OCC relating to the bank's CRA performance.

**Fair Lending Review**

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.